

CENTERVILLE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

CENTERVILLE COMMUNITY SCHOOL DISTRICT

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CENTERVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2007

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Kris Hoffman	President	2006
Steve Hoch	Vice President	2006
Deborah Egeland	Board Member	2007
Kent Cool	Board Member	2007
Jeri Pershy	Board Member	2008
Bill Matkovich	Board Member	2008
Nick Hindley	Board Member	2008
Board of Education (After September 2006 Election)		
Kris Hoffman	President	2009
Steve Hoch	Vice President	2009
Deborah Egeland	Board Member	2007
Brad Appler	Board Member	2007
Jeri Pershy	Board member	2008
Bill Matkovich	Board Member	2008
Nick Hindley	Board Member	2008
School Officials		
Richard Turner	Superintendent	2010
Linda Henderson	District Secretary/Treasurer And Business Manager	Indefinite
Rick Engel	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Centerville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District, Centerville, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Centerville Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2008 on our consideration of Centerville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centerville Community School District's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The

financial statements for the two years ended June 30, 2005 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Centerville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,468,055 in fiscal 2006 to \$12,860,309 in fiscal 2007, while General Fund expenditures increased from \$12,460,183 in fiscal 2006 to \$12,869,527 in fiscal 2007. The District's General Fund balance decreased from a \$288,869 deficit in fiscal 2006 to a \$289,320 deficit in fiscal 2007, a .2% percent decrease

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Centerville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Centerville Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the Centerville Community School District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and are related to one another.

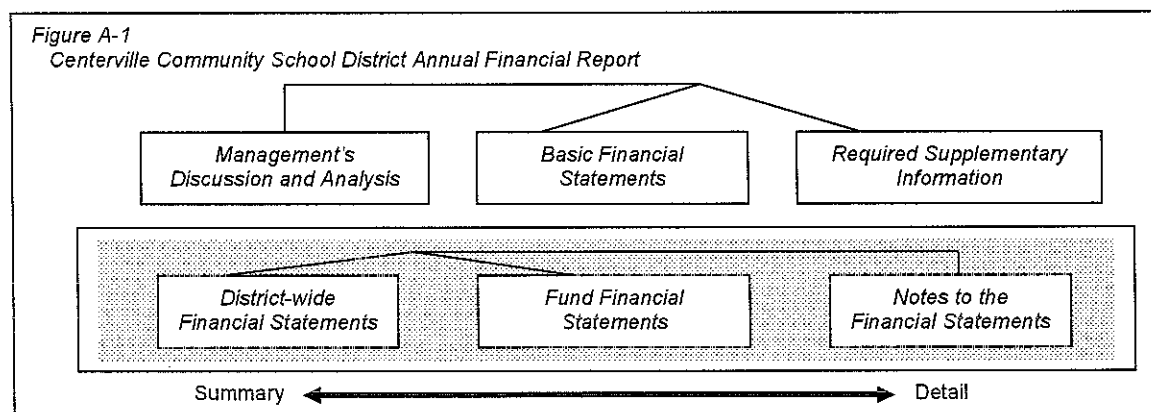


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, the Private Purpose Trust Fund which accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include the statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2007	2006	June 30, 2007	2006	June 30, 2007	2006	2006-2007
Current and other assets	\$ 9,126,272	\$ 8,173,080	\$ 80,867	\$ 59,628	\$ 9,207,139	\$ 8,232,708	11.8%
Capital assets	<u>8,597,392</u>	<u>6,886,013</u>	<u>83,850</u>	<u>88,742</u>	<u>8,681,242</u>	<u>6,974,755</u>	24.5%
Total assets	<u>17,723,664</u>	<u>15,059,093</u>	<u>164,717</u>	<u>148,370</u>	<u>17,888,381</u>	<u>15,207,463</u>	17.6%
Long-term liabilities	6,864,919	5,011,848	-	-	6,864,919	5,011,848	37.0%
Other liabilities	<u>7,616,790</u>	<u>7,342,953</u>	<u>41,655</u>	<u>11,471</u>	<u>7,658,445</u>	<u>7,354,424</u>	4.1%
Total liabilities	<u>14,481,709</u>	<u>12,354,801</u>	<u>41,655</u>	<u>11,471</u>	<u>14,523,364</u>	<u>12,366,272</u>	17.4%
Net assets							
Invested in capital assets, net of related debt	2,547,405	2,714,681	83,850	88,742	2,631,255	2,803,423	(.6)%
Restricted	531,875	502,697	-	-	531,875	502,697	5.8%
Unrestricted	<u>162,675</u>	<u>(513,086)</u>	<u>39,212</u>	<u>48,157</u>	<u>201,887</u>	<u>(464,929)</u>	143.4%
Total net assets	\$ <u>3,241,955</u>	\$ <u>2,704,292</u>	\$ <u>123,062</u>	\$ <u>136,899</u>	\$ <u>3,365,017</u>	\$ <u>2,841,191</u>	18.4%

The District's combined net assets increased by approximately 18.4%, or \$523,826, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$29,178, or approximately 5.8% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$666,816, or approximately 143.4%. This increase in unrestricted net assets was a result of the District reducing staff positions to operate within its revenue.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4 Change in Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2007	2006	June 30, 2007	2006	June 30, 2007	2006	2006-2007
Revenues							
Program revenues:							
Charges for services and sales	\$ 845,710	\$ 872,030	\$ 260,762	\$ 247,048	\$ 1,106,472	\$ 1,119,078	(1.1)%
Operating grants contributions and restricted interest	2,123,891	1,997,307	355,600	372,060	2,479,491	2,369,367	4.6%
Capital grants contributions and restricted interest	224,044	386,087	-	-	224,044	386,087	(42.0)%
General revenues:							
Property tax	3,370,669	3,532,666	-	-	3,370,669	3,532,666	(4.6)%
Income surtax	135,643	164,978	-	-	135,643	164,978	(17.8)%
Local option sales and services tax	1,205,136	1,092,645	-	-	1,205,136	1,092,645	10.3%
Unrestricted state grants	7,172,829	6,810,004	-	-	7,172,829	6,810,004	5.3%
Other	<u>246,932</u>	<u>68,294</u>	<u>3,520</u>	<u>2,092</u>	<u>250,452</u>	<u>70,386</u>	255.8%
Total revenues	<u>15,324,854</u>	<u>14,924,011</u>	<u>619,882</u>	<u>621,200</u>	<u>15,944,736</u>	<u>15,545,211</u>	2.6%
Program expenses:							
Instruction	9,498,350	9,255,084	-	-	9,498,350	9,255,084	2.6%
Support services	4,286,010	3,728,598	-	-	4,286,010	3,728,598	14.9%
Non-instructional programs	-	13,834	633,719	625,392	633,719	639,226	(.9)%
Other expenses	<u>1,002,831</u>	<u>986,728</u>	<u>-</u>	<u>-</u>	<u>1,002,831</u>	<u>986,728</u>	1.6%
Total expenses	<u>14,787,191</u>	<u>13,984,244</u>	<u>633,719</u>	<u>625,392</u>	<u>15,420,910</u>	<u>14,609,636</u>	5.6%
Change in net assets	\$ <u>537,663</u>	\$ <u>939,767</u>	\$ <u>(13,837)</u>	\$ <u>(4,192)</u>	\$ <u>523,826</u>	\$ <u>935,575</u>	(44.0)%

Property tax and unrestricted state grants account for 66.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89.4% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,324,854 and expenses were \$14,787,191. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	June 30, 2007	2006	Change 2006-2007	June 30, 2007	2006	Change 2006-2007
Instruction	\$ 9,498,350	\$ 9,255,084	2.6%	\$ 7,032,316	\$ 6,869,725	2.4%
Support services	4,286,010	3,728,598	14.9%	4,275,385	3,709,775	15.2%
Non-instructional programs	-	13,834	(100.0)%	-	13,834	(100.0)%
Other expenses	<u>1,002,831</u>	<u>907,530</u>	10.5%	<u>285,845</u>	<u>56,288</u>	407.8%
Total expenses	\$ <u>14,787,191</u>	\$ <u>13,905,046</u>	6.3%	\$ <u>11,593,546</u>	\$ <u>10,649,622</u>	8.9%

- The cost financed by users of the District's programs was \$845,710.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,347,935
- The net cost of governmental activities was financed with \$3,370,669 in property tax, \$135,643 in income surtax, \$1,205,136 in local option sales and services tax, \$7,172,829 in unrestricted state grants and \$246,932 in interest income.

Business Type Activities

Revenues for business type activities were \$619,882 representing a .2% decrease over the prior year while expenses totaled \$633,719, a 1.3% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Centerville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of 1,441,980, 98.3% above last year's ending fund balances of \$727,019.

Governmental Fund Highlights

- Revenue from School Infrastructure Local Option Tax (SILO) increased 11.4% from \$767,307 in fiscal year 2006 to \$854,847 in fiscal year 2007.
- Facilities acquisitions expenditures increased 125.9% from \$1,034,504 in fiscal year 2006 to \$2,336,795 in fiscal year 2007. This increase is due to significant capital projects in progress during fiscal year 2007.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$136,899 at June 30, 2006 to \$123,062 at June 30, 2007, representing a decrease of approximately 10.1%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Centerville Community School District amended its annual budget one time to reflect additional expenditures associated with support services.

The District's receipts were \$74,864 greater than budgeted receipts, a variance of .5%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were \$1,731,528 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested approximately \$8.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 27.3% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$442,797.

The original cost of the District's capital assets was \$17,013,754. Governmental funds account for \$16,754,821, with the remainder of \$258,933 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$2,314,213 at June 30, 2007, compared to \$245,603 reported at June 30, 2006. This change resulted from significant construction during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 204,400	\$ 204,400	\$ -	\$ -	\$ 204,400	\$ 204,400	0%
Construction in progress	2,314,213	245,603	-	-	2,314,213	245,603	842.3%
Buildings and improvements	5,457,567	5,669,753	-	-	5,457,567	5,669,753	(3.7)%
Land improvements	254,653	277,384	-	-	254,653	277,384	(8.2)%
Machinery and equipment	<u>366,559</u>	<u>488,873</u>	<u>83,850</u>	<u>88,742</u>	<u>450,409</u>	<u>577,615</u>	(22.0)%
Totals	<u>\$ 8,597,392</u>	<u>\$ 6,886,013</u>	<u>\$ 83,850</u>	<u>\$ 88,742</u>	<u>\$ 8,681,242</u>	<u>\$ 6,974,755</u>	24.5%

Long-Term Debt

At June 30, 2007, the District had \$6,864,919, in general obligation, revenue and long-term debt outstanding. This represents an increase of approximately 37.0% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total School District		Total Change
	June 30,		
	2007	2006	2006-2007
Contract payable	\$ 30,000	\$ 40,000	(25.0)%
Capital lease payable	60,462	-	100.0%
General obligation bonds	2,230,000	2,415,000	(7.7)%
Revenue bonds	3,729,525	1,756,332	112.3%
Early retirement	728,706	721,955	9%
Compensated absences	<u>86,226</u>	<u>78,561</u>	9.8%
Total	<u>\$ 6,864,919</u>	<u>\$ 5,011,848</u>	37.0%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment in the recent past, and District expects the decline to accelerate due to recent plant closings in the community.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in the fiscal year 2004. The budget guarantee is a relatively minor part of the District's budget and is expected to have little effect in fiscal year 2008
- Low allowable growth over the past several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Henderson, District Secretary/Treasurer and Business Manager, Centerville Community School District, PO Box 370, Centerville, Iowa 52544.

BASIC FINANCIAL STATEMENTS

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

			Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
	<u>Expenses</u>	<u>Charges for Service</u>		
<u>FUNCTIONS/PROGRAMS:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,964,057	\$ 184,372	\$ 1,490,517	\$ -
Special instruction	2,625,571	76,621	92,235	-
Other instruction	908,722	583,962	38,327	-
	<u>9,498,350</u>	<u>844,955</u>	<u>1,621,079</u>	<u>-</u>
Support services:				
Student services	371,820	-	-	-
Instructional staff services	287,155	-	-	-
Administration services	1,505,261	-	-	-
Operation and maintenance of plant services	1 536,592	-	-	-
Transportation services	585,182	755	9,870	-
	<u>4,286,010</u>	<u>755</u>	<u>9,870</u>	<u>-</u>
Other expenditures:				
Facilities acquisitions	-	-	-	224,044
Long-term debt interest	290,688	-	-	-
AEA flowthrough	492,942	-	492,942	-
Depreciation (unallocated)*	219,201	-	-	-
	<u>1,002,831</u>	<u>-</u>	<u>492,942</u>	<u>224,044</u>
Total governmental activities	14,787,191	845,710	2,123,891	224,044
Business type activities:				
Non-instructional programs:				
Nutrition services	633,719	260,762	355,600	-
Total	\$ 15,420,910	\$ 1,106,472	\$ 2,479,491	\$ 224,044

GENERAL REVENUES:

Property tax levied for:	
General purposes	
Debt service	
Capital outlay	
Income surtax	
Local option sales and service tax	
Unrestricted state grants	
Unrestricted investment earnings	
Other	
Total general revenues	

Changes in net assets

Net assets beginning of year, as restated

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs
See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (4,289,168)	\$ -	\$ (4,289,168)
(2,456,715)	-	(2,456,715)
(286,433)	-	(286,433)
<u>(7,032,316)</u>	<u>-</u>	<u>(7,032,316)</u>
 (371,820)	 -	 (371,820)
(287,155)	-	(287,155)
(1,505,261)	-	(1,505,261)
(1,536,592)	-	(1,536,592)
(574,557)	-	(574,557)
<u>(4,275,385)</u>	<u>-</u>	<u>(4,275,385)</u>
 224,044	 -	 224,044
(290,688)	-	(290,688)
-	-	-
(219,201)	-	(219,201)
(285,845)	-	(285,845)
(11,593,546)	-	(11,593,546)
 -	 (17,357)	 (17,357)
<u>(11,593,546)</u>	<u>(17,357)</u>	<u>(11,610,903)</u>
 2,983,356	 -	 2,983,356
273,853	-	273,853
113,460	-	113,460
135,643	-	135,643
1,205,136	-	1,205,136
7,172,829	-	7,172,829
246,932	1,621	248,553
-	1,899	1,899
<u>12,131,209</u>	<u>3,520</u>	<u>12,134,729</u>
 537,663	 (13,837)	 523,826
<u>2,704,292</u>	<u>136,899</u>	<u>2,841,191</u>
\$ <u>3,241,955</u>	\$ <u>123,062</u>	\$ <u>3,365,017</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments:			
ISCAP	\$ 1,882,482	\$ -	\$ 1,882,482
Other	2,721,447	69,680	2,791,127
Receivables:			
Property tax:			
Delinquent	80,126	-	80,126
Succeeding year	3,829,148	-	3,829,148
Income surtax	159,366	-	159,366
Accounts	85,037	265	85,302
Accrued ISCAP interest	12,811	-	12,811
Due from other governments	355,855	-	355,855
Inventories	-	10,922	10,922
Capital assets, net of accumulated depreciation	8,597,392	83,850	8,681,242
TOTAL ASSETS	17,723,664	164,717	17,888,381
<u>LIABILITIES</u>			
Accounts payable	1,463,467	32,308	1,495,775
Interest payable	91,864	-	91,864
Salaries and benefits payable	325,493	9,347	334,840
ISCAP warrants payable	1,886,000	-	1,886,000
ISCAP accrued interest payable	10,279	-	10,279
ISCAP unamortized premiums payable	10,539	-	10,539
Deferred revenue:			
Succeeding year property tax	3,829,148	-	3,829,148
Long-term liabilities:			
Portion due within one year:			
Contract payable	10,000	-	10,000
Capital lease payable	12,010	-	12,010
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	444,159	-	444,159
Early retirement	162,083	-	162,083
Compensated absences	86,226	-	86,226
Portion due after one year:			
Contract payable	20,000	-	20,000
Capital lease payable	48,452	-	48,452
General obligation bonds payable	2,035,000	-	2,035,000
Revenue bonds payable	3,285,366	-	3,285,366
Early retirement	566,623	-	566,623
TOTAL LIABILITIES	14,481,709	41,655	14,523,364
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	2,547,405	83,850	2,631,255
Restricted for:			
Salary improvement program	3,074	-	3,074
Physical plant and equipment levy	165,037	-	165,037
Other special revenue purposes	363,764	-	363,764
Unrestricted	162,675	39,212	201,887
TOTAL NET ASSETS	\$ 3,241,955	\$ 123,062	\$ 3,365,017

See Notes to Financial Statements

CENTERVILLE COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and pooled investments:					
ISCAP	\$ 1,882,482	\$ -	\$ -	\$ -	\$ 1,882,482
Other	971,086	508,979	704,962	536,420	2,721,447
Receivables:					
Property tax:					
Delinquent	62,508	-	6,632	10,986	80,126
Succeeding year	2,970,743	-	296,853	561,552	3,829,148
Income surtax	79,683	-	-	79,683	159,366
Accounts	19,075	64,630	-	1,332	85,037
Accrued ISCAP interest	12,811	-	-	-	12,811
Due from other funds	-	-	10,000	-	10,000
Due from other governments	<u>252,349</u>	<u>103,467</u>	<u>-</u>	<u>39</u>	<u>355,855</u>
TOTAL ASSETS	\$ <u>6,250,737</u>	\$ <u>677,076</u>	\$ <u>1,018,447</u>	\$ <u>1,190,012</u>	\$ <u>9,136,272</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 1,257,320	\$ 196,096	\$ 75	\$ 9,976	\$ 1,463,467
Due to other funds	-	-	-	10,000	10,000
Salaries and benefits payable	325,493	-	-	-	325,493
ISCAP warrants payable	1,886,000	-	-	-	1,886,000
ISCAP accrued interest payable	10,279	-	-	-	10,279
ISCAP unamortized premiums payable	10,539	-	-	-	10,539
Deferred revenue:					
Succeeding year property tax	2,970,743	-	296,853	561,552	3,829,148
Income surtax	<u>79,683</u>	<u>-</u>	<u>-</u>	<u>79,683</u>	<u>159,366</u>
Total liabilities	<u>6,540,057</u>	<u>196,096</u>	<u>296,928</u>	<u>661,211</u>	<u>7,694,292</u>
Fund balances:					
Reserved for:					
Debt service	-	-	721,519	-	721,519
Salary improvement program	3,074	-	-	-	3,074
Unreserved:					
Undesignated	<u>(292,394)</u>	<u>480,980</u>	<u>-</u>	<u>528,801</u>	<u>717,387</u>
Total fund balances	<u>(289,320)</u>	<u>480,980</u>	<u>721,519</u>	<u>528,801</u>	<u>1,441,980</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>6,250,737</u>	\$ <u>677,076</u>	\$ <u>1,018,447</u>	\$ <u>1,190,012</u>	\$ <u>9,136,272</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETSJUNE 30, 2007

<u>TOTAL FUND BALANCES OF GOVERNMENTAL FUNDS</u>	\$ 1,441,980
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,597,392
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(91,864)
Income surtax receivable, is not available to finance expenditures of the current fiscal period and, therefore, is not reported in the funds.	159,366
Long-term liabilities, including land contracts payable, capital lease payable, bonds payable, compensated absences and early retirement are not due and payable in the current period and, therefore, are not reported in the funds.	(6,864,919)
<u>NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	\$ <u>3,241,955</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 3,019,265	\$ 854,847	\$ 307,963	\$ 600,598	\$ 4,782,673
Tuition	388,623	-	-	-	388,623
Other	406,647	233,297	30,605	333,814	1,004,363
State sources	8,300,538	-	336	556	8,301,430
Federal sources	745,236	-	-	114,635	859,871
Total revenues	<u>12,860,309</u>	<u>1,088,144</u>	<u>338,904</u>	<u>1,049,603</u>	<u>15,336,960</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	5,500,146	-	-	150,279	5,650,425
Special instruction	2,595,201	-	-	-	2,595,201
Other instruction	565,274	-	-	295,504	860,778
	<u>8,660,621</u>	<u>-</u>	<u>-</u>	<u>445,783</u>	<u>9,106,404</u>
Support services:					
Student services	366,232	-	-	-	366,232
Instructional staff services	269,539	-	-	-	269,539
Administration services	1,384,643	-	-	112,812	1,497,455
Operation and maintenance of plant services	1,126,726	-	-	366,027	1,492,753
Transportation services	564,036	-	-	18,800	582,836
	<u>3,711,176</u>	<u>-</u>	<u>-</u>	<u>497,639</u>	<u>4,208,815</u>
Other expenditures:					
Facilities acquisitions	-	2,336,795	-	-	2,336,795
Long-term debt:					
Principal	4,788	-	591,807	-	596,595
Interest and fiscal charges	-	-	250,323	125	250,448
AEA flowthrough	492,942	-	-	-	492,942
	<u>497,730</u>	<u>2,336,795</u>	<u>842,130</u>	<u>125</u>	<u>3,676,780</u>
Total expenditures	<u>12,869,527</u>	<u>2,336,795</u>	<u>842,130</u>	<u>943,547</u>	<u>16,991,999</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,218)</u>	<u>(1,248,651)</u>	<u>(503,226)</u>	<u>106,056</u>	<u>(1,655,039)</u>
Other financing sources (uses):					
Issuance of debt	-	2,370,000	-	-	2,370,000
Transfers in	8,767	-	954,523	-	963,290
Transfers out	-	(944,523)	-	(18,767)	(963,290)
Total other financing sources (uses)	<u>8,767</u>	<u>1,425,477</u>	<u>954,523</u>	<u>(18,767)</u>	<u>2,370,000</u>
Net change in fund balances	(451)	176,826	451,297	87,289	714,961
Fund balances beginning of year as restated	<u>(288,869)</u>	<u>304,154</u>	<u>270,222</u>	<u>441,512</u>	<u>727,019</u>
Fund balances end of year	\$ <u>(289,320)</u>	\$ <u>480,980</u>	\$ <u>721,519</u>	\$ <u>528,801</u>	\$ <u>1,441,980</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 714,961

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlay and depreciation expense for the year are as follows:

Capital outlay	\$ 2,137,924	
Depreciation expense	<u>(426,545)</u>	1,711,379

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues and repayments are as follows:

Issued	(2,435,250)	
Repaid	<u>596,595</u>	(1,838,655)

Income surtax is deferred in the governmental funds, but not in the Statement of Activities.

4,634

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(40,240)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows

Early retirement	(6,751)	
Compensated absences	<u>(7,665)</u>	<u>(14,416)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 537,663

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

School NutritionASSETS:

Cash and cash equivalents	\$ 69,680
Accounts receivable	265
Inventories	10,922
Capital assets, net of accumulated depreciation	<u>83,850</u>
Total assets	<u>164,717</u>

LIABILITIES:

Accounts payable	32,308
Salaries and benefits payable	<u>9,347</u>
Total liabilities	<u>41,655</u>

NET ASSETS:

Investment in capital assets, net of related debt	83,850
Unrestricted	<u>39,212</u>
Total net assets	<u>\$ 123,062</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

School
Nutrition

Operating revenues:

Local sources:

Charges for service \$ 260,762

Operating expenses:

Non-instructional programs:

Food service operations:

Salaries	224,734
Benefits	65,145
Purchased services and repairs and maintenance	21,216
Supplies	304,779
Depreciation	16,252
Other	<u>1,593</u>
Total operating expenses	<u>633,719</u>

Operating loss (372,957)

Non-operating revenues:

State sources	7,920
Federal sources	347,680
Interest income	1,621
Gain on disposal	<u>1,899</u>
Total non-operating revenues	<u>359,120</u>

Net Loss (13,837)

Net assets beginning of year 136,899

Net assets end of year \$ 123,062

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

School
NutritionCASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from sale of lunches and breakfasts	\$ 256,377
Cash received from miscellaneous operating activities	4,120
Cash payments to employees for services	(286,153)
Cash payments to suppliers for goods or services	<u>(287,762)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(313,418)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:

State grants received	7,920
Federal grants received	<u>330,112</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>338,032</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from sale of capital assets	2,071
Acquisition of capital assets	<u>(11,532)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,461)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>1,621</u>
-------------------------	--------------

NET INCREASE IN CASH AND CASH EQUIVALENTS 16,774

CASH AND CASH EQUIVALENTS - Beginning of year 52,906

CASH AND CASH EQUIVALENTS - End of year \$ 69,680

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (372,957)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	17,568
Depreciation	16,252
Increase in accounts receivable	(265)
Increase in inventories	(4,200)
Increase in accounts payable	26,458
Increase in salaries and benefits payable	<u>3,726</u>
Net cash used in operating activities	\$ <u>(313,418)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$22,752, \$5,184 of which are included in inventory at June 30, 2007

CENTERVILLE COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

Private Purpose
 Trust
Scholarship

ASSETS:

Cash and pooled investments

\$ 333,051

LIABILITIES:

None

-

NET ASSETS:

Reserved for scholarships

\$ 333,051

CENTERVILLE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

Private
 Purpose Trust
Scholarship

ADDITIONS:

Local sources:

Interest income

\$ 14,172

Donations

12,970

Total additions

27,142DEDUCTIONS:

Support services:

Scholarships awarded

11,411

Change in net assets

15,731

Net assets beginning of year, as restated

317,320

Net assets end of year

\$ 333,051

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Centerville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Centerville, Iowa, and the predominate agricultural territory in Appanoose County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Centerville Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Centerville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Appanoose County Assessors' Conference Board.

Basis of Presentation

Government-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable FASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Fund Equity (continued)

Property Tax Receivable – Property tax in the governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on the January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to County Board of Supervisors in April 2006.

Due from Other Governments – Due from other governments represent amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings and improvements	2,500
Land improvements	2,500
Machinery and equipment	2,500

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities and Fund Equity (continued)

Capital Assets (continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

NOTE 2: CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>2,275,443</u>

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy Capital Projects	\$ 10,000 <u>944,523</u> 954,523
General	Special Revenue: Expendable Trust	<u>8,767</u>
Total		\$ <u>963,290</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4: IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2006-2007B	1/26/07	1/25/08	\$ 553,585	\$ 12,414	\$ 555,000	\$ 9,951
2007-2008A	6/27/07	6/27/08	<u>1,328,897</u>	<u>397</u>	<u>1,331,000</u>	<u>328</u>
			<u>\$ 1,882,482</u>	<u>\$ 12,811</u>	<u>\$ 1,886,000</u>	<u>\$ 10,279</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when general fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2006-2007A	\$ <u> </u> -	\$ <u>1,100,017</u>	\$ <u>1,100,017</u>	\$ <u> </u> -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-2007B	4.250%	5.315%
2007-2008A	4.500%	5.455%

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business type activities:				
Machinery and equipment	\$ 266,628	\$ 11,532	\$ 19,227	\$ 258,933
Less accumulated depreciation	<u>177,886</u>	<u>16,252</u>	<u>19,055</u>	<u>175,083</u>
Business type activities capital assets, net	<u>\$ 88,742</u>	<u>\$ (4,720)</u>	<u>\$ 172</u>	<u>\$ 83,850</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5: CAPITAL ASSETS (Continued)

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 204,400	\$ -	\$ -	\$ 204,400
Construction in progress	<u>245,603</u>	<u>2,068,610</u>	<u>-</u>	<u>2,314,213</u>
Total capital assets not being depreciated	<u>450,003</u>	<u>2,068,610</u>	<u>-</u>	<u>2,518,613</u>
Capital assets being depreciated:				
Buildings and improvements	11,192,181	-	800	11,191,381
Land improvements	454,021	-	-	454,021
Machinery and equipment	<u>3,208,674</u>	<u>69,314</u>	<u>687,182</u>	<u>2,590,806</u>
Total capital assets being depreciated	<u>14,854,876</u>	<u>69,314</u>	<u>687,982</u>	<u>14,236,208</u>
Less accumulated depreciation for:				
Buildings and improvements	5,522,428	212,186	800	5,733,814
Land improvements	176,637	22,731	-	199,368
Machinery and equipment	<u>2,719,801</u>	<u>191,628</u>	<u>687,182</u>	<u>2,224,247</u>
Total accumulated depreciation	<u>8,418,866</u>	<u>426,545</u>	<u>687,982</u>	<u>8,157,429</u>
Total capital assets being depreciated, net	<u>6,436,010</u>	<u>(357,231)</u>	<u>-</u>	<u>6,078,779</u>
Governmental activities capital assets, net	\$ <u>6,886,013</u>	\$ <u>1,711,379</u>	\$ <u>-</u>	\$ <u>8,597,392</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 91,835
Special	30,370
Other	47,944
Support services:	
Student support	5,588
Instructional staff	17,616
Administration	7,806
Operation and maintenance of plant	3,839
Transportation	2,346
Unallocated	<u>219,201</u>
Total depreciation expense - Governmental activities	\$ <u>426,545</u>
Business-type activities:	
Food service operations	\$ <u>16,252</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 6: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Contract payable	\$ 40,000	\$ -	\$ 10,000	\$ 30,000	\$ 10,000
Capital lease payable	-	65,250	4,788	60,462	12,010
General obligation bonds	2,415,000	-	185,000	2,230,000	195,000
Revenue bonds	1,756,332	2,370,000	396,807	3,729,525	444,159
Early retirement	721,955	167,739	160,988	728,706	162,083
Compensated absences	<u>78,561</u>	<u>86,226</u>	<u>78,561</u>	<u>86,226</u>	<u>86,226</u>
Total	\$ <u>5,011,848</u>	\$ <u>2,689,215</u>	\$ <u>836,144</u>	\$ <u>6,864,919</u>	\$ <u>909,478</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Bond Issue of June 1, 1992</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	6.25%	\$ 195,000	\$ 113,938	\$ 308,938
2009	5.00	210,000	101,750	311,750
2010	5.00	220,000	91,250	311,250
2011	5.00	230,000	80,250	310,250
2012	5.00	245,000	68,750	313,750
2013	5.00	260,000	56,500	316,500
2014	5.00	275,000	43,500	318,500
2015	5.00	290,000	29,750	319,750
2016	5.00	<u>305,000</u>	<u>15,250</u>	<u>320,250</u>
		\$ <u>2,230,000</u>	\$ <u>600,938</u>	\$ <u>2,830,938</u>

Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Bond Issue of December 10, 2005</u>		<u>Bond Issue of July 1, 2006</u>	
		<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
2008	4.22%	\$ 234,159	\$ 59,147	4.25% \$ 210,000	\$ 94,244
2009	4.22	244,145	49,162	4.25 220,000	85,213
2010	4.22	254,556	38,750	4.25 230,000	75,756
2011	4.22	265,411	27,894	4.25-4.30 235,000	65,981
2012	4.22	276,731	16,576	4.30-4.40 245,000	56,545
2013	4.22	184,523	4,775	4.40-4.45 335,000	46,860
2014	-	-	-	4.45-4.50 495,000	30,705
2015	-	-	-	4.50 300,000	6,750
		\$ <u>1,459,525</u>	\$ <u>196,304</u>	\$ <u>2,270,000</u>	\$ <u>462,054</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 6: LONG-TERM LIABILITIES (continued)

<u>Total</u>		
<u>Principle</u>	<u>Interest</u>	<u>Total</u>
\$ 444,159	\$ 153,391	\$ 597,550
464,145	134,375	598,520
484,556	114,506	599,062
500,411	93,875	594,286
521,731	73,121	594,852
519,523	51,635	571,158
495,000	30,705	525,705
<u>300,000</u>	<u>6,750</u>	<u>306,750</u>
\$ <u>3,729,525</u>	\$ <u>658,358</u>	\$ <u>4,387,883</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a. \$200,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year
- d. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Contract Payable

During November 2005, the District entered into a contract to purchase land for \$45,000. The effective interest rate on the contract is 1.95%. The District paid \$5,000 down and will make additional payments as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,000	\$ 522	\$ 10,522
2009	10,000	329	10,329
2010	<u>10,000</u>	<u>117</u>	<u>10,117</u>
	\$ <u>30,000</u>	\$ <u>968</u>	\$ <u>30,968</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 6: LONG-TERM LIABILITIES (continued)

Capital Lease Payable

During January 2007, the District entered into an agreement to lease office equipment for \$65,250. The effective interest rate on the lease is 6.25%. Payments on the lease are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 12,010	\$ 3,439	\$ 15,449
2009	12,782	2,667	15,449
2010	13,605	1,844	15,449
2011	14,480	969	15,449
2012	<u>7,585</u>	<u>139</u>	<u>7,724</u>
	\$ <u>60,462</u>	\$ <u>9,058</u>	\$ <u>69,520</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age 55 and employees must have completed 10 years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. There are currently three options available to eligible employees. The early retirement incentives for each eligible employee are equal to, 1) the full monthly cost of single medical insurance for the District's plan, 2) the full monthly cost of single medical insurance of the middle deductible plan, or 3) a predetermined amount based upon age and years of service is given to the retiree to purchase health insurance, until the month the retiree attains the age of 65. Early retirement benefits paid for the year ended June 30, 2007 totaled \$160,988. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

NOTE 7: PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State Statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$527,411, \$516,249 and \$517,836, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Centerville Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CENTERVILLE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 9: AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$492,942 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10: DEFICIT FUND BALANCES

At June 30, 2007, there was a deficit undesignated fund balance in the General Fund of \$292,394. The District plans to eliminate this deficit through future receipts and reductions to future expenditures when possible

NOTE 11: INTERFUND RECEIVABLES AND PAYABLES

The balances of interfund receivables and payables in the fund financial statements at June 30, 2007 were:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Debt service	\$ 10,000	\$ -
Special revenue:		
Physical plant and equipment levy	<u>-</u>	<u>10,000</u>
	\$ <u>10,000</u>	\$ <u>10,000</u>

NOTE 12: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2006 have been reclassified to conform with the June 30, 2007 presentation.

NOTE 13: RESTATEMENT

During the year ended June 30, 2007, it was discovered that certain assets purchased prior to the current fiscal year were not capitalized. Additionally, it was determined during the year that certain assets as of June 30, 2006 in the Expendable Trust Fund were considered Special Revenue Funds and should have been reported as Fiduciary Fund assets. Adjustments were made to beginning net assets as follows:

Governmental Activities

Net assets June 30, 2006, as previously reported	\$ 2,608,823
Record capital assets purchased in previous periods net of accumulated depreciation	153,580
Reclassify assets from special revenue to fiduciary	<u>(58,111)</u>
Net assets June 30, 2006, as restated	\$ <u>2,704,292</u>

	<u>Special Revenue Expendable Trust</u>	<u>Fiduciary Fund Private Purpose</u>
Net assets June 30, 2006, as previously reported	\$ 170,931	\$ 259,209
Reclassify assets from special revenue to fiduciary	<u>(58,111)</u>	<u>58,111</u>
Net assets June 30, 2006, as restated	\$ <u>112,820</u>	\$ <u>317,320</u>

REQUIRED SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Receipts:			
Local sources	\$ 6,175,659	\$ 264,282	\$ 6,439,941
State sources	8,301,430	7,920	8,309,350
Federal sources	<u>859,871</u>	<u>347,680</u>	<u>1,207,551</u>
Total receipts	<u>15,336,960</u>	<u>619,882</u>	<u>15,956,842</u>
Expenditures:			
Instruction	9,106,404	-	9,106,404
Support services	4,208,815	-	4,208,815
Non-instructional programs	-	633,719	633,719
Other expenditures	<u>3,676,780</u>	<u>-</u>	<u>3,676,780</u>
Total expenditures	<u>16,991,999</u>	<u>633,719</u>	<u>17,625,718</u>
Deficiency of receipts under expenditures	(1,655,039)	(13,837)	(1,668,876)
Other financing sources, net	<u>2,370,000</u>	<u>-</u>	<u>2,370,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	714,961	(13,837)	701,124
Balances beginning of year, as restated	<u>727,019</u>	<u>136,899</u>	<u>863,918</u>
Balances end of year	\$ <u>1,441,980</u>	\$ <u>123,062</u>	\$ <u>1,565,042</u>

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 6,192,152	\$ 6,192,152	\$	247,789
8,670,631	8,670,631		(361,281)
<u>1,019,375</u>	<u>1,019,375</u>		<u>188,176</u>
<u>15,882,158</u>	<u>15,882,158</u>		<u>74,684</u>
9,513,855	9,513,855		407,451
3,775,551	4,756,050		547,235
727,500	727,500		93,781
<u>4,399,841</u>	<u>4,399,841</u>		<u>723,061</u>
<u>18,416,747</u>	<u>19,397,246</u>		<u>1,771,528</u>
(2,534,589)	(3,515,088)		1,846,212
<u>3,131,382</u>	<u>3,131,382</u>		<u>(761,382)</u>
596,793	(383,706)		1,084,830
<u>730,777</u>	<u>730,777</u>		<u>133,141</u>
\$ <u>1,327,570</u>	\$ <u>347,071</u>	\$	<u>1,217,971</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$980,499.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

Special Revenue Funds

			Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue
	Management	Student Activity			
<u>ASSETS</u>					
Cash and pooled investments	\$ 61,584	\$ 192,512	\$ 172,344	\$ 109,980	\$ 536,420
Receivables:					
Property tax:					
Current year delinquent	8,293	-	2,693	-	10,986
Succeeding year	400,000	-	161,552	-	561,552
Income surtax	-	-	79,683	-	79,683
Accounts	-	1,332	-	-	1,332
Due from other governments	-	39	-	-	39
TOTAL ASSETS	\$ 469,877	\$ 193,883	\$ 416,272	\$ 109,980	\$ 1,190,012
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ 9,976	\$ -	\$ -	\$ 9,976
Due to other funds	-	-	10,000	-	10,000
Deferred revenue:					
Succeeding year property tax	400,000	-	161,552	-	561,552
Income surtax	-	-	79,683	-	79,683
Total liabilities	400,000	9,976	251,235	-	661,211
Fund balances:					
Unreserved:					
Undesignated	69,877	183,907	165,037	109,980	528,801
Total fund balances	69,877	183,907	165,037	109,980	528,801
TOTAL LIABILITIES AND FUND EQUITY	\$ 469,877	\$ 193,883	\$ 416,272	\$ 109,980	\$ 1,190,012

CENTERVILLE COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Special Revenue Funds</u>				
	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Expendable Trust</u>	<u>Total Special Revenue</u>
Revenues:					
Local sources:					
Local tax	\$ 385,093	\$ -	\$ 215,505	\$ -	\$ 600,598
Other	18,057	302,872	6,958	5,927	333,814
State sources	420	-	136	-	556
Federal sources	-	-	114,635	-	114,635
Total revenues	<u>403,570</u>	<u>302,872</u>	<u>337,234</u>	<u>5,927</u>	<u>1,049,603</u>
Expenditures					
Current:					
Instruction:					
Regular instruction	150,279	-	-	-	150,279
Other instruction	-	295,504	-	-	295,504
	<u>150,279</u>	<u>295,504</u>	<u>-</u>	<u>-</u>	<u>445,783</u>
Support services:					
Administration services	112,812	-	-	-	112,812
Operation and maintenance of plant services	52,700	-	313,327	-	366,027
Transportation services	18,800	-	-	-	18,800
	<u>184,312</u>	<u>-</u>	<u>313,327</u>	<u>-</u>	<u>497,639</u>
Other expenditures:					
Long-term debt:					
Interest and fiscal charges	-	-	125	-	125
Total expenditures	<u>334,591</u>	<u>295,504</u>	<u>313,452</u>	<u>-</u>	<u>943,547</u>
Excess of revenues over expenditures	<u>68,979</u>	<u>7,368</u>	<u>23,782</u>	<u>5,927</u>	<u>106,056</u>
Other financing uses:					
Transfers out	-	-	(10,000)	(8,767)	(18,767)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	68,979	7,368	13,782	(2,840)	87,289
Fund balances beginning of year, as restated	<u>898</u>	<u>176,539</u>	<u>151,255</u>	<u>112,820</u>	<u>441,512</u>
Fund balances end of year	\$ <u>69,877</u>	\$ <u>183,907</u>	\$ <u>165,037</u>	\$ <u>109,980</u>	\$ <u>528,801</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year, <u>as Restated</u>	<u>Revenues</u>	<u>Expenditures/ Transfers Out</u>	Balance End of Year
Bessie Adams Memorial	\$ 505	\$ 22	\$ -	\$ 527
Mark Traxler Memorial	1,671	329	-	2,000
Kirkpatrick Memorial	1,151	49	-	1,200
Ray Miller Memorial	1,560	65	-	1,625
Ruggles Math & Science Center	102,933	5,462	8,767	99,628
Clyde & Virginia Carney Memorial	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
	\$ <u>112,820</u>	\$ <u>5,927</u>	\$ <u>8,767</u>	\$ <u>109,980</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN PRIVATE PURPOSE TRUST FUND
SCHOLARSHIP ACCOUNTS
YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year, <u>as Restated</u>	<u>Revenues</u>	<u>Expenditures</u>	Balance End of Year
Rubbermaid Scholarship	\$ 2,841	\$ 111	\$ 500	\$ 2,452
Orville Butler	857	330	300	887
Class of 1949	19,757	2,041	500	21,298
John Sacco Memorial Scholarship	371	27	250	148
Don Whisler Memorial Scholarship	5,824	230	500	5,554
Bill Swab Scholarship	98	4	-	102
Kenneth Elgin Scholarship	127,635	5,518	2,000	131,153
Milton Stout Scholarship	2,182	59	1,000	1,241
FCCLA Scholarship	903	42	-	945
Karleen Fischer Hagan Scholarship	(1,395)	1,400	5	-
Roy Livengood Memorial Scholarship	-	922	-	922
Robert Harl Memorial Scholarship	-	506	-	506
Harry L Dukes Memorial	-	361	-	361
Gower-Voxman Scholarship	2,257	95	-	2,352
Dr. F.B. Leffert Scholarship	27,386	1,145	600	27,931
Vidas Scholarship	1,402	60	-	1,462
Colleen Cook Scholarship	71,521	3,007	900	73,628
Gerald Foster Memorial	20,520	863	500	20,883
Dana Moritz Scholarship	16,159	1,709	300	17,568
Clyde and Virginia Carney Memorial	<u>19,002</u>	<u>8,712</u>	<u>4,056</u>	<u>23,658</u>
	\$ <u>317,320</u>	\$ <u>27,142</u>	\$ <u>11,411</u>	\$ <u>333,051</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND

STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
General athletics	\$ 10,811	\$ 403	\$ 2,456	\$ 8,758
High school general account	8,955	5,127	6,973	7,109
Appanoose County alternative high school	240	570	248	562
Thespian	9,884	1,740	4,696	6,928
Speech	73	600	-	673
Vocal music concert admissions	3,331	2,188	1,716	3,803
Vocal music	764	200	200	764
K-3 vocal music	121	-	30	91
Instrumental music concert admissions	2,860	1,133	3,772	221
High school instrumental music resale	56	589	306	339
Junior high instrumental music	132	590	438	284
Lakeview instrumental music	-	1,237	647	590
High school jazz band	-	1,070	-	1,070
High school instrumental music	-	2,957	2,829	128
Junior high athletics	19,224	17,578	19,574	17,228
Boys cross country	400	476	376	500
Girls cross country	607	375	482	500
Boys basketball	(1,870)	9,865	5,510	2,485
Football	1,052	17,599	4,002	14,649
Boys soccer	506	3,898	1,737	2,667
Baseball	3,020	3,274	1,288	5,006
Boys track	700	3,449	3,285	864
Boys tennis	500	73	78	495
Boys golf	446	354	-	800
Wrestling	1,500	7,173	6,211	2,462
Girls basketball	2,000	6,661	6,081	2,580
Volleyball	3,500	3,898	2,396	5,002
Girls volleyball fundraisers	596	-	-	596
Girls soccer	486	3,900	1,666	2,720
Softball	2,249	3,604	3,890	1,963
Girls track	700	959	731	928
Girls tennis	560	709	649	620
Girls golf	490	10	-	500
K-3 general account	616	-	10	606
Central elementary activity	4,473	992	414	5,051
Central pop	886	557	618	825
Cincinnati activity	1,108	177	83	1,202
Cincinnati pop	330	101	100	331
Garfield activity	1,274	294	276	1,292
Garfield pop	845	80	85	840
Lincoln activity	1,381	269	760	890
Lincoln pop	150	-	-	150

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Mystic activity	\$ 2,660	\$ 2,216	\$ 2,698	\$ 2,178
Lakeview activity	4,219	12,284	12,200	4,303
Lakeview pop	1,413	684	465	1,632
Junior High activity	28,454	25,058	26,961	26,551
Ameri-Corps	725	-	-	725
High school big red dinner	-	1,553	1,227	326
High school yearbook	6,438	18,473	23,138	1,773
High school graduation	1,559	2,340	3,281	618
High school science club	89	482	482	89
FCCLA	327	3,714	3,248	793
FFA	996	25,609	23,908	2,697
National honor society	474	1,418	1,175	717
High school cheerleaders	143	1,119	353	909
Student council	14,450	43,628	43,721	14,357
Social science	506	225	226	505
Office education	130	-	-	130
Student lowegian	97	-	-	97
Spanish club	2,028	-	879	1,149
Weight room	488	4,422	1,856	3,054
Class of 2006	1,402	-	1,402	-
Class of 2007	1,969	20	311	1,678
Class of 2008	-	2,950	1,541	1,409
Activity ticket	17,794	16,829	29,082	5,541
Athletics booster club	4,822	28,425	26,043	7,204
Licenses and permits	-	95	95	-
School promotions	400	-	-	400
Interest	-	6,599	6,599	-
 Total	 \$ 176,539	 \$ 302,872	 \$ 295,504	 \$ 183,907

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Local sources:						
Local tax	\$ 4,782,673	\$ 4,707,887	\$ 4,210,359	\$ 3,548,519	\$ 3,595,752	\$ 3,363,475
Tuition	388,623	431,633	255,975	318,551	226,866	276,429
Other	1,004,363	739,564	942,469	797,036	773,121	766,670
State sources	8,301,430	7,929,782	7,828,394	7,731,425	7,740,582	8,783,285
Federal sources	<u>859,871</u>	<u>1,032,745</u>	<u>949,831</u>	<u>942,686</u>	<u>688,282</u>	<u>598,159</u>
Total	\$ <u>15,336,960</u>	\$ <u>14,841,611</u>	\$ <u>14,187,028</u>	\$ <u>13,338,217</u>	\$ <u>13,024,603</u>	\$ <u>13,788,018</u>
Expenditures:						
Instruction:						
Regular instruction	\$ 5,650,425	\$ 5,489,650	\$ 5,486,876	\$ 5,569,309	\$ 5,665,289	\$ 5,255,466
Special instruction	2,595,201	2,473,743	2,578,875	2,585,388	2,802,256	2,528,203
Other instruction	860,778	890,882	946,480	923,240	226,352	938,309
Support services:						
Student services	366,232	379,001	473,602	455,113	364,208	379,837
Instructional staff services	269,539	419,460	368,937	258,357	287,205	289,498
Administration services	1,497,455	1,283,478	1,035,581	1,052,848	925,776	844,327
Operation and maintenance of plant services	1,492,753	1,316,773	1,286,968	1,235,016	1,211,234	1,156,362
Transportation services	582,836	546,251	642,588	561,021	608,447	499,231
Non-instructional	-	13,834	25,978	34,413	42,385	21,341
Other expenditures:						
Facilities acquisitions	2,336,795	1,034,504	1,975,031	584,523	931,992	63,087
Long-term debt:						
Principal	596,595	418,668	222,000	189,000	191,000	333,000
Interest	250,448	229,088	155,640	165,683	177,989	192,827
AEA flow-through	<u>492,942</u>	<u>465,155</u>	<u>464,456</u>	<u>472,458</u>	<u>491,993</u>	<u>494,990</u>
Total	\$ <u>16,991,999</u>	\$ <u>14,960,487</u>	\$ <u>15,663,012</u>	\$ <u>14,086,369</u>	\$ <u>13,926,126</u>	\$ <u>12,996,478</u>

SCHEDULE 7CENTERVILLE COMMUNITY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Indirect:</u>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food donation (non-cash)	10.550	FY 07	\$ <u>22,752</u>
School Nutrition Cluster Programs:			
School breakfast program	10.553	FY 07	82,109
National school lunch program	10.555	FY 07	<u>265,571</u>
			<u>347,680</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I grants to local educational agencies	84.010	1071-G	383,639
Title I grants to local educational agencies	84.010	1071-GC	<u>17,761</u>
			<u>401,400</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>28,450</u>
Fund for the Improvement of Education	84.215	FY 04	14,635
Fund for the Improvement of Education	84.215	FY 06	<u>100,000</u>
			<u>114,635</u>
State Grants for Innovative Programs	84.298	FY 07	<u>6,422</u>
Improving Teacher Quality State Grants	84.367	FY 07	<u>115,836</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>10,892</u>
Area Education Agency:			
Vocational education - Basic Grants to States	84.048A	FY 07	<u>27,645</u>
Special education - Grants to States (Part B)	84.027	FY 07	<u>92,235</u>
Education Technology State Grants	84.318	FY 07	<u>7,629</u>
Total			\$ <u>1,175,576</u>

CENTERVILLE COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2007

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Centerville Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Centerville Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Centerville Community School District, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Centerville Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Centerville Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Centerville Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Centerville Community School District's financial statements that is more than inconsequential will not be prevented or detected by Centerville Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Centerville Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-II-A is a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centerville Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Centerville Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Centerville Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Centerville Community School District and other parties to whom the District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Centerville Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 28, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of the
Centerville Community School District

Compliance

We have audited the compliance of the Centerville Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Centerville Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the Centerville Community School District's management. Our responsibility is to express an opinion on the Centerville Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Centerville Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Centerville Community School District's compliance with those requirements.

In our opinion, the Centerville Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Centerville Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Centerville Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Centerville Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, we noted no deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Centerville Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Centerville Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Centerville Community School District and other parties to whom the Centerville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 28, 2008

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results:

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered to be material weaknesses
- c. The audit did not disclose any noncompliance which is material to the financial statements
- d. No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:
 - CFDA Number 84.010 – Title I grants to local educational agencies
 - Clustered programs
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Centerville Community School District qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Significant Deficiencies -

07-II-A Restatement

Comment – Certain infrastructure placed in service prior to June 30, 2006 was not included in the financial statements for the year ended June 30, 2006. Details of this are located in Note 13.

Recommendation – The District should include infrastructure in the financial statements in the year it is placed in service.

Response – We will do so from now on.

Conclusion – Response accepted.

Instances of Noncompliance - No matters were reported.

CENTERVILLE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

Significant Deficiencies - No matters were reported.

Instances of Noncompliance - No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

- 07-IV-A Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted.
- 07-IV-B Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 07-IV-C Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 07-IV-D Business Transactions – No business transactions between the District and District officials or employees were noted.
- 07-IV-E Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 07-IV-F Board Minutes – We noted no transactions requiring Board approval which have not been approved by the Board.
- 07-IV-G Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 07-IV-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 07-IV-I Certified Annual Report – The certified annual report was certified timely to the Iowa Department of Education.
- 07-IV-J Financial Condition – The District had undesignated deficit fund balances of \$292,394 in the General Fund.

Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response – The District will continue to monitor and eliminate the deficit.

Conclusion – Response accepted